

EXHIBIT 3
 DATE 3/9/09
 HB 279



GOVERNOR'S OFFICE OF
 BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill # HB0279

Title: Revise laws relating to transportation

Primary Sponsor: Reinhart, Michele

Status: As Amended

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	(\$103,176)	(\$103,176)	(\$103,176)	(\$103,176)
Net Impact-General Fund Balance	\$0	\$0	\$0	\$0

Description of fiscal impact:

HB 279 as amended affects the equitable distribution of indirect costs required under federal 2 CFR Part 225 (circular A-87). The Montana Department of Transportation (MDT) would be prohibited from recovering indirect costs from a local government for the state run Community Transportation Enhancement Program.

FISCAL ANALYSIS

Assumptions:

Montana Department of Transportation (MDT)

1. MDT is required to provide analysis and submit an indirect cost proposal in accordance with the Office of Management and Budget (OMB) Circular "A-87". MDT's federal cognizant agency with approving authority is Federal Highways Administration (FHWA). They review and approve MDT's proposed indirect cost allocation plan on an annual basis. Currently, the rate is 14.06%.
2. The Community Transportation Enhancement Program (CTEP) is a Montana program that funds transportation related projects designed to strengthen the cultural, aesthetic, and environmental aspects of Montana's intermodal transportation system. MDT has elected to sub-allocate the enhancement funds to local governments for selection and prioritization of local CTEP projects. As the administrator of the program, MDT is required to provide certain services for project inspections and other oversight

Fiscal Note Request – As Amended

(continued)

requirements of federal funded programs even when projects are administered by local governments. Local governments utilize MDT’s planning functions, contract procurement functions, inspection service functions, and other MDT services from start to finish in these projects.

3. Current Community Transportation Enhancement Programs (CTEP) funding is estimated at \$6,237,006 annually. Of this amount, 14.06% is indirect costs, \$768,826 (\$6,237,006/1.1406).
4. The CTEP has a match rate of 86.58%-federal and 13.42% - local.
5. Local indirect cost share on Community Transportation Enhancement Program (CTEP) projects is estimated at \$103,176 (\$768,826 * 13.42%).
6. If HB 279 is passed as amended, MDT will be required to absorb administrative costs of \$103,176 on an annual basis while still providing the administrative service costs to maintain the state-run federal program. These costs would be funded from fuel tax revenues. Road construction and maintenance projects would be reduced to cover these costs.

	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>	<u>FY 2012</u> <u>Difference</u>	<u>FY 2013</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
State Special Revenue (02)	(\$103,176)	(\$103,176)	(\$103,176)	(\$103,176)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	(\$103,176)	(\$103,176)	(\$103,176)	(\$103,176)

Effect on County or Other Local Revenues or Expenditures:

1. This bill would allow local participating governments to retain the indirect cost portion of CTEP projects. This would have a positive impact on local governments.

Technical Notes:

1. If HB 279 is passed exempting local agencies from paying Indirect Costs (IDC), MDT would have to cover the local IDC amount of the local match. Changing state law to exclude any funding source from having IDC assessed does not comply with OMB circular A-87 which requires states to create and apply an IDC consistently to all federally funded programs on a project by project basis. This includes the funding sources given exemptions in this bill.

Sponsor's Initials

Date

Budget Director's Initials

Date

HB 279 – ICAP Exemption

Information for the
House Transportation Committee

February 6, 2009

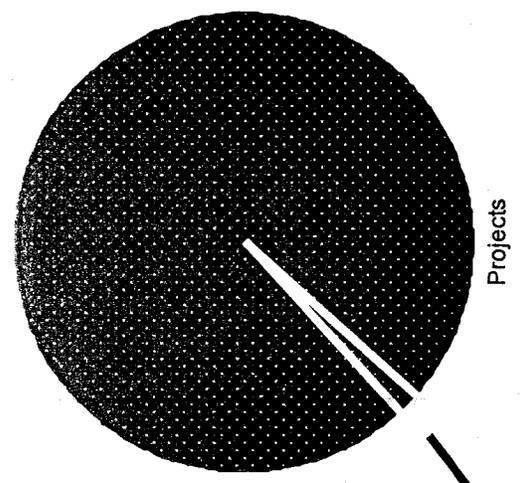
EXHIBIT 3
DATE 3/9/09
HB 279

Information Items

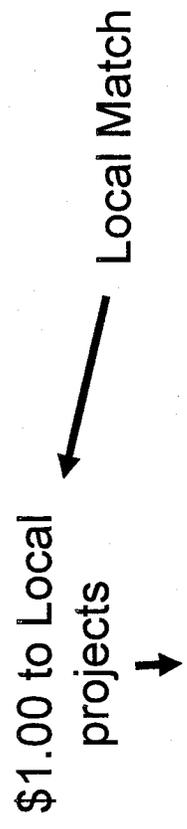
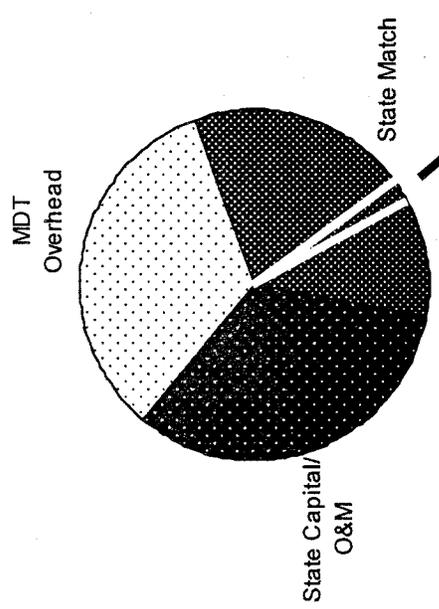
- Pre-HB 21
- Post-HB 21
- Post OMB A-87
- MPO perspective
- MDT perspective
- Impact of exemption
- Long-term issues

Pre-HB 21

Federal Gas Tax

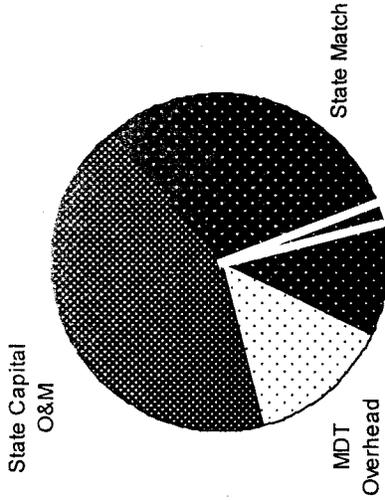


State Gas Tax

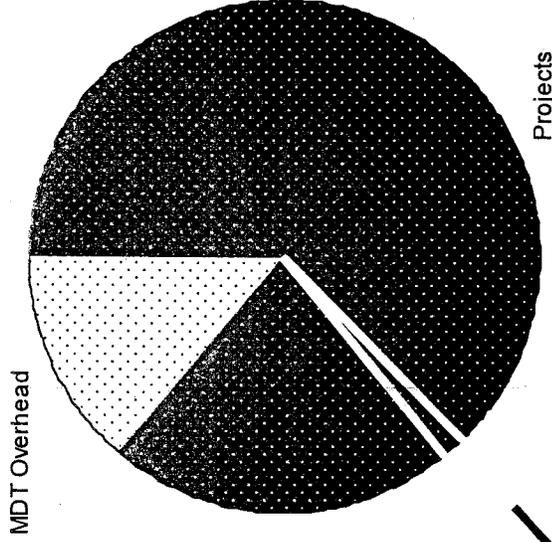


Post-HB 21

State Gas Tax

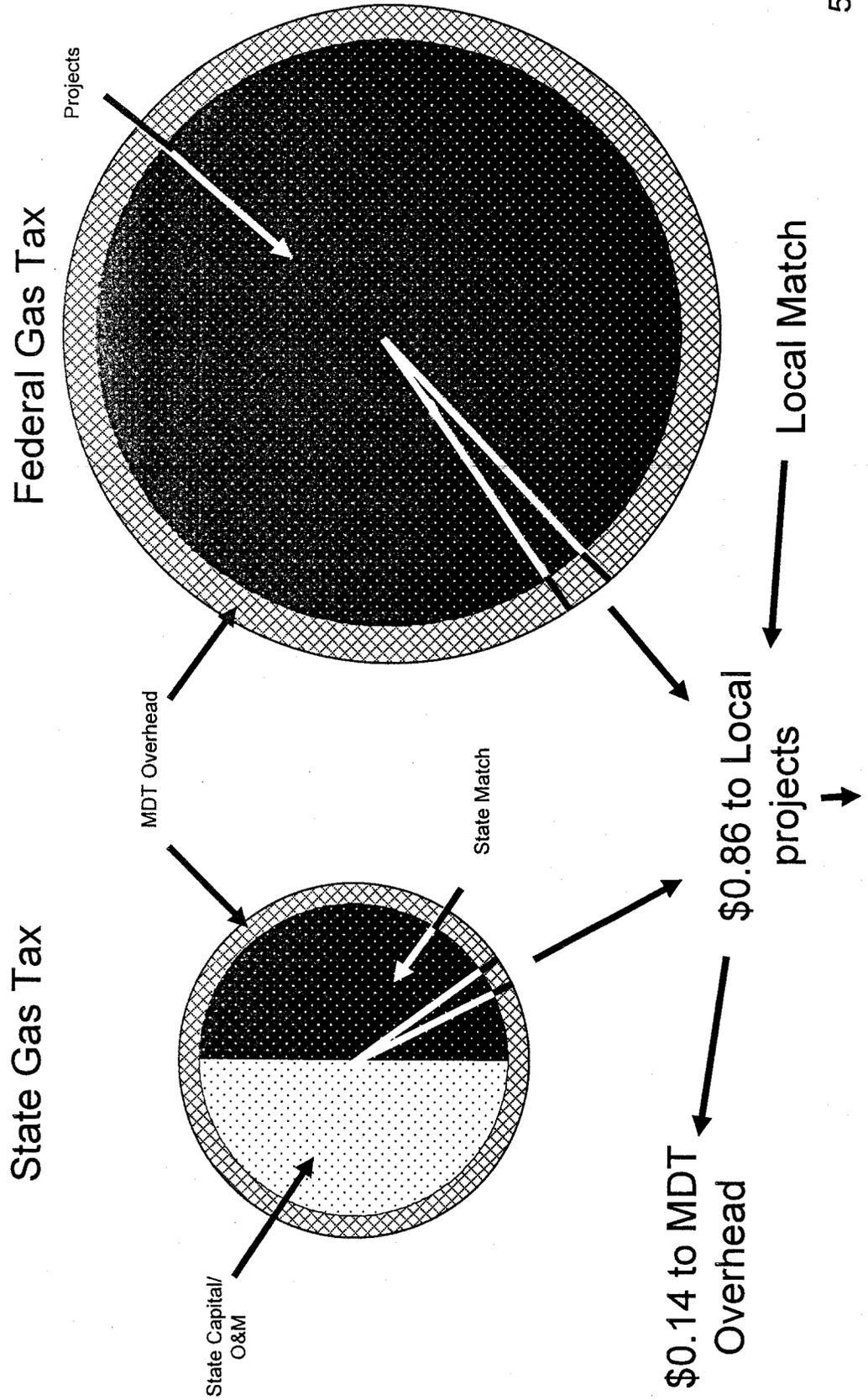


Federal Gas Tax



\$1.00 to Local projects
Local Match

Post-OMB A-87



FHWA Revenue – Missoula perspective

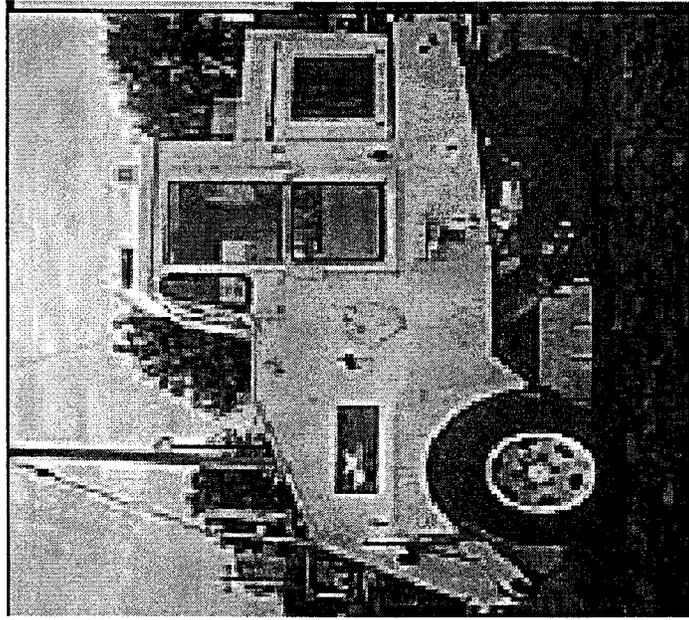
- MDT Program
 - Interstate Maintenance
 - National Highway System
 - MACI
 - TransADE Admin
 - TransADE Operating
 - STPX
 - STPP
 - STPS
 - HSIP
 - SRTS
 - UPP
 - SFCX
 - SFCN
 - Bridge
 - MPO Program
 - STP Urban
 - STP Enhancement (CTEP)
 - CMAQ
 - \$110 million (2008-2035)
 - \$4 million/yr.
 - ICAP = \$562,400/yr.
-
- \$60.5 million (2008-2035)
 - \$2.2 million/yr.
 - ICAP = \$309,000/yr.

FHWA Revenue - MDT perspective

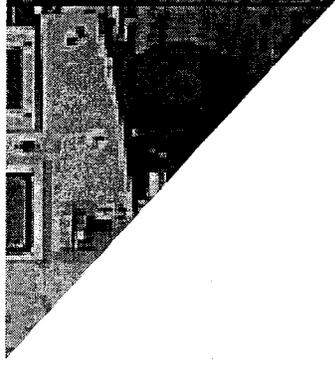
- MDT Program
 - Interstate Maintenance
 - National Highway System
 - MACI
 - TransADE Admin
 - TransADE Operating
 - STPX
 - STPP
 - STPS
 - HSIP
 - SRTS
 - UPP
 - SFCX
 - SFCN
 - Bridge
 - STP Urban
 - STP Enhancement (CTEP)
 - CMAQ
 - MPO Program
 - Local Match
 - \$15 million (2008-2035)
 - \$0.6 million/yr.
 - ICAP = \$84,360/yr.
-
- \$155.5 million (2008-2035)
 - \$5.6 million/yr.
 - ICAP = \$787,360/yr.

Street Sweeper - \$175,000

MPO Perspective



MDT Perspective



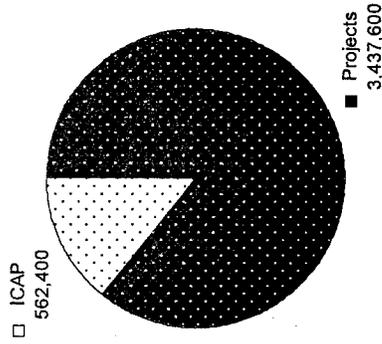
ICAP impact to Missoula =
\$24,600

ICAP impact to Missoula =
\$3,302

Missoula is being charged 14.06% by the "bank" to access its own funds.

Relative impact of ICAP

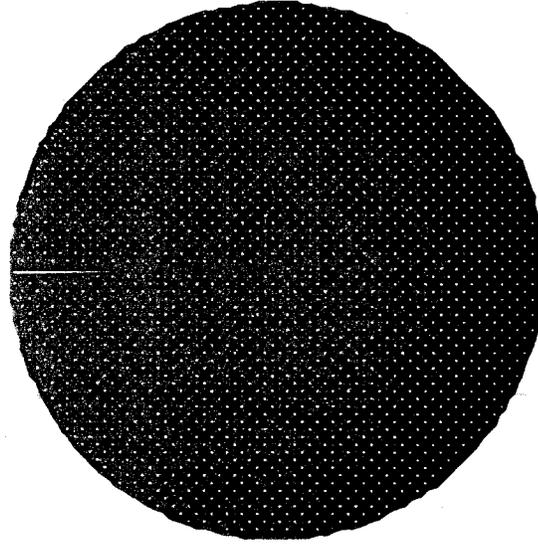
Missoula STPU, CTEP,
CMAQ



Fewer local government
projects without
exemption

State Fuel Tax Revenue

ICAP, 562,400



Programs
and Projects,
200,000,000

Less MDT paving with
exemption

Small Transit Systems

Agency	2009 Grant	ICAP	2010 Grant	ICAP
HATS	\$ 570,760.00	\$ 80,248.86	\$ 373,753.90	\$ 52,549.80
BUTTE	\$ 533,514.90	\$ 75,012.19	\$ 488,713.25	\$ 68,713.08
STREAMLINE	\$ 513,151.50	\$ 72,149.10	\$ 706,489.75	\$ 98,332.46
BIG SKY LOCAL	\$ 339,489.00	\$ 47,732.15	\$ 311,043.09	\$ 43,732.66
LINCOLN COUNTY	\$ 116,852.00	\$ 16,429.39	\$ 208,593.59	\$ 29,328.26
VALLEY COUNTY	\$ 206,489.78	\$ 29,032.46	\$ 223,566.99	\$ 31,433.52
FLATHEAD	\$ 443,395.00	\$ 62,341.34	\$ 263,377.16	\$ 37,030.83
FT. PECK	\$ 260,873.00	\$ 36,678.74	\$ 292,462.27	\$ 41,120.20
BLACKFEET TRANSIT	\$ 180,718.00	\$ 25,408.95	\$ 121,136.91	\$ 17,031.85
CSKT	\$ 209,244.00	\$ 29,419.71	\$ 203,066.31	\$ 28,551.12
FERGUS COUNTY	\$ 94,075.00	\$ 13,226.95	\$ 75,053.98	\$ 10,552.59
GLENWOOD INC	\$ 95,050.62	\$ 13,364.12	\$ 105,585.64	\$ 14,845.34
LIBERTY COUNTY	\$ 67,455.00	\$ 9,484.17	\$ 51,698.06	\$ 7,268.75
PHILLIPS COUNTY	\$ 104,216.00	\$ 14,652.77	\$ 145,794.91	\$ 20,498.76
RICHLAND COUNTY	\$ 134,368.40	\$ 18,892.20	\$ 119,324.66	\$ 16,777.05
BIG SKY LINK	\$ 198,348.00	\$ 27,887.73	\$ 197,670.82	\$ 27,792.52
DAWSON COUNTY	\$ 99,446.00	\$ 13,982.11	\$ 61,790.17	\$ 8,687.70
WHITEHALL	\$ 48,253.00	\$ 6,784.37	\$ 103,878.53	\$ 14,605.32
GRANITE COUNTY	\$ 16,836.00	\$ 2,367.14	\$ 15,842.81	\$ 2,227.50
LAKE COUNTY	\$ 46,966.00	\$ 6,603.42	\$ 64,311.93	\$ 9,042.26
MINERAL COUNTY	\$ 3,340.00	\$ 469.60	\$ 4,681.05	\$ 658.16
BITTERROOT BUS	\$ 122,145.00	\$ 17,173.59	\$ 114,753.79	\$ 16,134.38
SANDERS COUNTY	\$ 91,012.00	\$ 12,796.29	\$ 95,412.61	\$ 13,415.01
SELA/SENCI	\$ 14,558.00	\$ 2,046.85	\$ 13,724.24	\$ 1,929.63
BIG DRY TRANSIT	\$ 15,462.00	\$ 2,173.96	\$ 19,746.62	\$ 2,776.37
DANIELS COUNTY	\$ 16,894.10	\$ 2,375.31	\$ 18,320.35	\$ 2,575.84
TOOLE COUNTY	\$ 34,186.56	\$ 4,806.63	\$ 10,796.38	\$ 1,517.97
NORTHERN TRANSIT	\$ 75,723.44	\$ 10,646.72	\$ 2,662.62	\$ 374.36
CARTER CHARTER	\$ 9,425.60	\$ 1,325.24	\$ 12,076.82	\$ 1,698.00
FALLON COUNTY	\$ 38,619.85	\$ 5,429.95	\$ 25,078.30	\$ 3,526.01
POWDER RIVER	\$ 40,554.60	\$ 5,701.98	\$ 69,125.99	\$ 9,719.11
WEST YELLOWSTONE	\$ 38,872.00	\$ 5,465.40	\$ 41,395.46	\$ 5,820.20
MSLA RAVALLI TMA	\$ 227,640.38	\$ 32,006.24	\$ 218,608.38	\$ 30,736.34
New Freedom	\$ 400,351.00	\$ 56,289.35		
JARC	\$ 455,131.00	\$ 63,991.42		
	\$ 5,863,416.73	\$ 824,396.39	\$ 4,779,537.34	\$ 672,002.95

Other states*

- Do not charge ICAP at all:
 - 35 States
- Do not claim any indirect costs on local projects:
 - Alaska
 - Arkansas
 - Colorado
 - Florida
 - Hawaii
 - Kentucky
 - Louisiana
 - Mississippi
- Only claim indirect costs on local projects designed and developed by the DOT:
 - Alabama
 - New Jersey
 - New York
 - Texas
- Claim indirect costs by figuring "overhead" on direct cost of three people. i.e. Only three people regularly charge back to local projects and they only charge their actual time with an overhead rate:
 - Idaho
- Did not respond
 - New Hampshire
- Charges ICAP on all federally funded projects:
 - Montana

* courtesy Missoula County Public Works

Long-term issues

- Control of overhead costs
- Eroding value of 1993 state and federal gas tax
- Maintenance of effort
- Decline in VMT per capita
- 60 percent of vehicle miles traveled on 20 percent of Montana roads